

Striving to thrive

Four key priorities for procurement organizations in the year ahead

The COVID-19 pandemic impacted all industries and business functions, and in procurement, the 2020 health crisis laid bare the ramifications of processes and technologies that are siloed, opaque, and reactive. As Warren Buffet has said, “It’s only when the tide goes out that you learn who’s been swimming naked.” Conventional procurement processes, technologies, and strategies that were moderately effective before the pandemic were proven to fall short once the economy shifted. Global supply chains were disrupted, revenue was strained, and some enterprises even halted production for lack of access to materials.

Yet, not all enterprises are at the same point in transforming their procurement operations, and some are faring better than others.

There are distinct phases in a crisis—respond, recover, and thrive—and the organizations that were already modernizing their procurement functions and teams before 2020 have moved more quickly toward the journey of recovery and the vision to thrive. [Deloitte’s 2020 Chief Procurement Officer Flash Survey](#) found that 80 percent of CPOs believe the period of rapid response has passed or will soon end. Some 20 percent of respondents, however, said they had already entered, or were about to enter, the thrive stage. So why—and how—did those organizations recover so quickly?

Focus areas coming out of the crisis

Transformation to best-in-class digital procurement can be hard. More than that, procurement is not always viewed as a core capability within an organization, despite the fact that procurement is fundamental to an enterprise's success and its capacity to respond and recover from an unforeseen disruption.

Deloitte's CPO Flash Survey, in which 20 percent of CPOs reported already entering the thrive stage, revealed deeper insights about the organizations that were able to recover quickly: For one, they all had greater visibility into tier one and tier two suppliers. They were also twice as likely to prioritize digitization as a daily focus, and seven times more likely to slightly expand their supply base when facing supply vulnerabilities exposed by the pandemic. That is, some of the most resilient organizations are those with modernized procurement operations. Procurement was able to more quickly pivot to find opportunities, refine strategies, and turn supply chains into a competitive advantage.

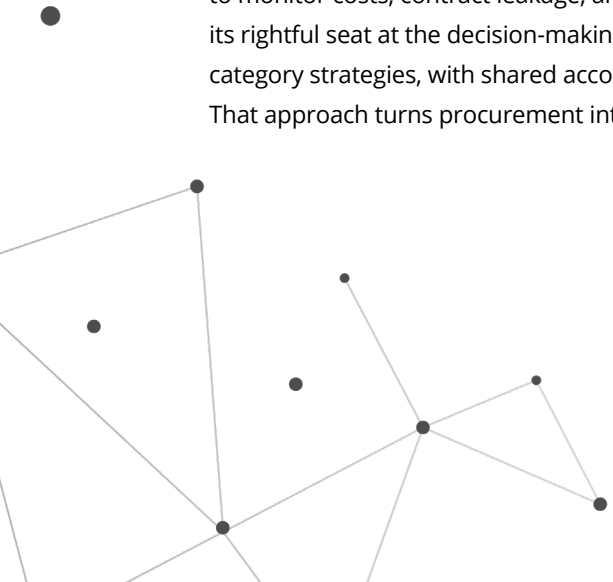
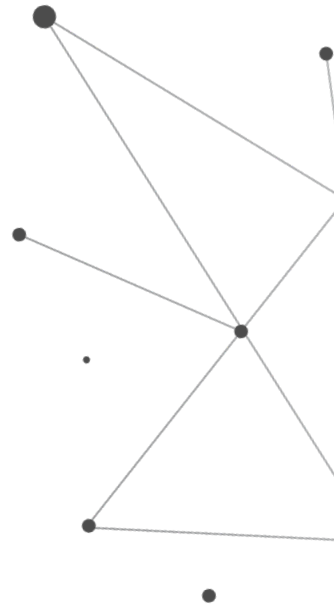
Looking ahead, though the ramifications of the pandemic will reverberate, we see there being four key areas that will drive procurement priorities and strategies in 2021 and beyond. The common theme across all is the evident need for holistic transformation to best-in-class procurement.

1 Cost management

The current highest priority for CPOs is cost management. According to Deloitte's CPO Flash Survey, CPOs put eight times as much focus on this than on other priorities. Facing an uncertain economy and thoroughly disrupted business landscape, finding opportunities to reduce spend supports sustainability. This sentiment is shared across the C-suite—[another Deloitte survey of executives](#) showed that, as a component of their recovery strategies, 66 percent of companies globally expect to pursue cost reduction over the next 12 months.

This is familiar ground for procurement offices, where conventional efforts typically focus on transactions, and value is sought through price reductions. But if that's all procurement is contributing to recovery, substantial value is being missed.

When procurement is equipped with leading processes, rich talent, and emerging technologies, it unleashes value across the enterprise. Rather than seeking discrete cost savings, procurement enjoys deep visibility into category management and uses KPIs to monitor costs, contract leakage, and vendor management. When procurement takes its rightful seat at the decision-making table, the teams are involved in defining category strategies, with shared accountability embedded in decisions and execution. That approach turns procurement into a growth engine for the enterprise.



2 Third-party management

In successful procurement operations, risk must be tightly managed. Extended enterprise risk management, also called third-party risk management (TPRM), is a core enabler. When procurement wrestles with disparate processes and criteria, much of which can be siloed by function or business unit, it hampers insight. It also leads to reactive measures after a risk incident has occurred. According to Deloitte's CPO Flash Survey, just half of CPOs reported high or very high visibility into tier 1 suppliers, and 90 percent of organizations reported moderate to very low visibility into their extended supply networks.

It's not enough to conduct a risk assessment when onboarding a supplier or other third party, nor is it sufficient to conduct periodic assessments. Best-in-class digital procurement requires a real-time, enterprise-level view of vendor risk management. Even when the health crisis subsides, the importance of TPRM will not wane. Indeed, [a Deloitte survey of executives](#) found that 46 percent of organizations believe the financial impact from a third-party failure has doubled over the last five years. With instances of fraud, the need for regulatory compliance, and the direct impact on operations and revenue, TPRM will remain a procurement priority—and effectively managing risk in the modern global environment requires end-to-end transformation.

3 Talent investments

The conventional workplace model in pre-COVID times was, in many cases, incompatible with the need to socially distance, given health concerns. As employees worked from home, it presented challenges for collaboration, and CPOs faced the dual imperative to equip and train their teams to work in this new online environment while also catering to their wellbeing and empowering their efforts. This investment in talent has been a longstanding challenge for some procurement organizations, where skills development is focused

on narrow enhancements to capabilities and driven by staff interests. It's an artifact of an enterprise where procurement is not seen as a core capability. Some 35 percent of respondents to Deloitte's CPO Flash Survey noted they're making permanent shifts to work-from-home and virtual collaboration. Going forward, procurement organizations have clear motivation to make thoughtful, strategic investments in their evolving teams. World-class procurement thrives on investments in capabilities and people. What's needed is continuous learning, aspirational talent models, and performance enhancing tools that are designed with end-users in mind. This gives procurement employees the professional development they crave, and it also prepares and equips them to leverage leading technology solutions that require them to take their skills and knowledge to a higher plateau.

4 Flexible supply chains and data

After years of striving for high efficiency with a "just in time" philosophy, the pandemic revealed the inflexibility of global supply chains. This came on the heels of trade conflict (notably between the United States and China) that was already pushing procurement organizations to consider how to mitigate increased supplier costs. Today, the challenge is to balance efficiency with the risk of supply disruption. That means expanding supply chains while also seeking alternative sources that are geographically closer to the point of use.

This effort relies on trusted data and a broader view of third-party management, encompassing risk as well as performance, contract, and relationship management. Together and facilitated through emerging technologies—such as Coupa's digital procurement platform—procurement can extract actionable intelligence from real-time holistic monitoring. With troves of high-quality data moving through a connected platform, procurement is also positioned to increase investments in AI, robotic process automation, and other cognitive tools that can inform and expedite decision making.

The next normal

With COVID-19 vaccines already being deployed, the pandemic's end is in sight. Looking ahead, there's the potential for there to be winners and losers in procurement based on which enterprises move quickly to bring together agility, efficiency, resilience, and strategy. The moment is now to reshape and elevate procurement. Those who seize the opportunity to invest and grow will be positioned to thrive in times of calm and prepared for whatever the future brings. Fortunately, the methods for transforming to a world-class procurement organization are honed and efficient.

For more than a decade, Deloitte and Coupa have worked with enterprises across the globe to transform their procurement operations and unleash growth and value. Conceived and refined through years of implementations, our methodology leverages design thinking and accelerators to drive the timeline, capture value, minimize risk, and bring your category management strategy to life.

Ready to begin your procurement journey?

Please reach out! We value the opportunity to speak with you, to learn about your challenges and goals, and to share more about how our procurement transformation and Coupa's technology can help you unleash real results with a bottom-line impact.

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